

CONFIDENTIAL BUSINESS INFORMATION

RIVERSTONE

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JAN 26 2011

MILLER NASH LLP

RIVERSTONE CLAIMS MANAGEMENT LLC
250 COMMERCIAL STREET, SUITE 5000
MANCHESTER, NEW HAMPSHIRE 03101
TELEPHONE: (603) 656-2200
TOLL FREE (888) 257-2059
FACSIMILE: (603) 656-2554/2401

January 26, 2011

Steven F. Hill, Esq.
Miller Nash LLP
500 East Broadway
Suite 400
Vancouver, WA 98660-3324

Policyholder: Kaiser Cement Corporation, et al
Alleged Insured: Kaiser Gypsum Company, Inc.

Noticed Policies/Insurance 522032590 (04/01/83 – 05/01/84);
Company: 522032591 (04/01/83 – 05/01/84);
522036810 (05/01/84 – 04/01/85); and
522036811 (05/01/84 – 04/01/85)
International Insurance Company

USE 1399-7785 (05/01/84 – 04/01/85)
Transamerica Premier Insurance Company

Site: Lower Duwamish Waterway, Seattle, Washington
Claim Type: Environmental Pollution/Hazardous Waste

Dear Mr. Hill:

We are in receipt of your December 21, 2010 correspondence regarding the above-captioned site. Please be advised that RiverStone Claims Management LLC ("RiverStone") administers claims on behalf of TIG Insurance Company, Successor by Merger to International Insurance Company ("TIG") under policies 522032590, 522032591, 522036810 and 522036811 (the "TIG Policies"). Any and all future correspondence concerning these policies should be directed to my attention at RiverStone.

RiverStone sent Kaiser Cement a letter dated September 9, 2003, which set forth TIG's coverage analysis under the TIG Policies for the *Saint Helens Fiberboard Plant* matter. Upon review of the newly received claim materials, we have determined that the coverage analysis set forth in our September 9, 2003 letter also applies to the instant claim. Accordingly, TIG refers you to its September 9, 2003 correspondence, incorporated herein by reference, and recommends it be read in conjunction with this

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letter.

In addition, we previously informed you that policy USE 1399-7785 is part of the United States Underwriting Management Association ("USUMA") program. The Devonshire Group, located in California, is responsible for the handling of policy USE 1399-7785. We forwarded a copy of your December 21, 2010 correspondence to The Devonshire Group. For your future reference, however, we ask that you direct all correspondence pertaining to policy USE 1399-7785 directly to:

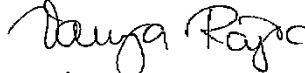
The Devonshire Group
1851 East First Street
Suite 1400
Santa Ana, CA 92705

TIG's acknowledgement, analysis and any further action it may take regarding this matter are undertaken subject to a complete reservation of rights which may be available under the TIG Policies and applicable law. TIG expressly reserves all, and does not waive any, of its rights under the TIG Policies, law, equity, or public policy, whether or not referenced above or previously.

Should you have any questions, please feel free contact me at my direct dial extension (603) 656-2386; or you may also contact me by e-mail at vanya_rajic@trg.com.

Very truly yours,

RiverStone Claims Management LLC



Vanya Rajic

Latent Case Manager

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RIVERSTONE CLAIMS MANAGEMENT LLC
250 COMMERCIAL STREET, SUITE 5000
MANCHESTER, NEW HAMPSHIRE 03101
TELEPHONE: (603) 656-2200
TOLL FREE (888) 257-2059
Facsimile: (603) 656-2554/2401

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SEP 12 2003
MILLER, NASH LLP

September 9, 2003

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Steven F. Hill, Esquire
Miller Nash, LLP
500 East Broadway, Suite 400
Vancouver, WA 98660

Policyholder: Kaiser Cement Corporation
Alleged: Kaiser Gypsum Company, Inc. and Hanson Permanente
Insured: Cement
Claim Type: TX – Hazardous Waste
Site: Saint Helens Fiberboard Plant
1645 Railroad Avenue, St. Helens, Oregon
Policy Nos.: 522032590, (04/01/83 – 05/01/84);
522032591, (04/01/83 – 05/01/84);
522036810, (05/01/84 – 04/01/85);
522036811, (05/01/84 – 04/01/85)
Insurer: TIG Insurance Company, successor by merger to
International Insurance Company ("TIG")

Dear Mr. Hill:

As you are aware, RiverStone Claims Management, LLC ("RiverStone") is responsible for the handling of the captioned matter for TIG Insurance Company, successor by merger to International Insurance Company ("TIG"). Accordingly, you may direct any and all future correspondence concerning this matter to my attention at RiverStone at the address listed above. Be advised that, at this time, based on the information provided to date, TIG will not be participating in the defense or indemnity of KaiserGypsum Co. or Hanson Permanente Cement in the above referenced action. Below is our detailed coverage analysis in this matter.

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The ODEQ Claim

In a letter dated December 6, 2001, the Oregon Department of Environmental Quality ("ODEQ") notified Kaiser Gypsum that ODEQ had issued an enforcement order to Armstrong World Industries to complete completion of an RI/FS for the its at St. Helens, Oregon, and to undertake any necessary remedial actions. ODEQ further advised Kaiser Gypsum that it has not ruled out enforcement action against the other identified responsible parties, that it is formally notifying Kaiser Gypsum that the order does relieve it of any responsibility to conduct remedial actions pursuant to ORE 465.200 et seq. and that Kaiser Gypsum remains liable for remedial action and subject to compliance with any order ODEQ may issue against it. ODEQ requested a proposal from Kaiser Gypsum to accomplish or contribute to the necessary remedial investigation and remedial actions at the site.

The Armstrong Complaint

In January, 2003 Armstrong filed against Kaiser Gypsum and its parent company, Hanson Permanente Cement, Inc, a complaint seeking cost recovery and contribution under CERCLA and the parallel Oregon Cleanup law. The complaint alleges that Kaiser Gypsum owned and operated the site from 1956 to 1978 and that manufacturing operations at the site employed arsenic wood preservatives, polynuclear aromatic hydrocarbons, copper and other metals, asbestos, caustics and acids, polychlorinated biphenyls, wood wastes, volatile organic compounds, and petroleum hydrocarbons. The complaint further alleges that in the course of Kaiser's operations such hazardous substances were spilled and released into the environment at and from the facility, including the ground water, surface water and waterways abutting the site. In addition, the complaint alleges that a 1969 oil spill drained to the abutting Miller Creek and Scappoose Bay.

Owens Corning Corporation subsequently purchased the site and continued plant operations from 1978 until 1982. In 1987, Owens Corning sold the facility to Armstrong World Industries. Armstrong began building products manufacturing activities at the site in 1990.

As indicated above, on October 9, 2001, the Oregon Department of Environmental Quality ("ODEQ") ordered Armstrong to conduct a remedial investigation and feasibility study and then perform a remedial design and response action. Armstrong's investigations have documented the presence of hazardous substances at the site.

Armstrong has allegedly incurred in excess of \$250,000 in response and remedial costs at the site and has requested reimbursement from Kaiser.

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The Policies

International Insurance Company issued the following four excess liability policies to Kaiser Cement Corporation, et al (per immediate underlying policy):

Policy No.	Eff. Dates	Policy Type	Limits
522032590	04/01/83 – 05/01/84	Excess	\$12,000,000 part of \$50,000,000 each occ/agg, excess of \$50,000,000 each occ/agg
522032591	04/01/83 – 05/01/84	Excess	\$13,000,000 part of \$50,000,000 each occ/agg, excess of \$100,000,000 each occ/agg
522036810	05/01/84 – 04/01/85	Excess	\$18,000,000 part of \$50,000,000 each occ/agg, excess of \$50,000,000 ea occ/agg
522036811	05/01/84 – 04/01/85	Excess	\$7,000,000 part of \$50,000,000 each occ/agg, excess of \$100,000,000 each occ/agg

The above policies 522032590, 522032591, 522036810, and 522036811 all contain Excess Insurance Policy Form FM 101.1.302, which contains the following insuring agreement:

INSURING AGREEMENT

To indemnify the insured for that amount of loss which exceeds the amount of loss payable by underlying policies described in the Declarations, but the Company's obligation hereunder shall not exceed the limit of liability stated in Declaration 6.

Policies 522032590, 522032591, 522036810, and 522036811 also contain the following policy conditions:

- A. Application of Underlying Insurance.** Except as otherwise stated herein, and except with respect to (1) any obligation to investigate or defend any claim or suit, or (2) any obligation to renew, the insurance afforded by this policy shall apply in like manner as the underlying insurance described in the Declarations.
- B. Maintenance of Underlying Insurance.** It is warranted by the insured that no less than the amount of underlying insurance stated in Declaration 5 is available to the insured, and that such underlying insurance shall be maintained in force during the currency of this policy, except for any reduction of the aggregate limits contained therein solely by payment of claims in respect to occurrences covered by such underlying insurance.

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Notice of exhaustion of underlying insurance shall be given the company as soon as practicable.

- C. Loss Payable.** Liability of the company with respect to any one occurrence shall not attach unless and until the insured, or the insured's underlying insurer, has paid the amount of underlying insurance stated in Declaration 5. The insured shall make a definite claim for loss, for which the company may be liable within twelve (12) months after the insured has paid any amount of excess loss, as stated in Declaration 6; or after the insured's liability shall have been made certain by final judgment after actual trial; or by written agreement of the insured, the claimant, and the company. Any subsequent payments made by the insured on account of the same occurrence shall be payable by the company within thirty (30) days after additional claim is made by the insured, and after the insured has shown proof in conformity with this policy.
- K. Other Insurance.** If other valid and collectible insurance is available to the insured which covers a loss also covered by this policy, other than insurance that is specifically purchased as being in excess of this policy, the policy shall operate in excess of, and not contribute with, such other insurance.

Application of the Policies

As a threshold matter, neither Kaiser Gypsum Company, Inc. nor Hanson Permanente Cement are named insureds under any of the policies, and have not provided evidence that they are entitled to make claims under policies issued to Kaiser Cement Corporation. Furthermore, neither Kaiser Gypsum Company, Inc. nor Hanson Permanente Cement have provided evidence that they are insured's under the immediate underlying policies. Please provide documentation of the corporate relationship, if any, between Kaiser Gypsum Company, Hanson Permanente Cement and Kaiser Cement Corporation and or that your clients are insureds under the immediate underlying policies.

With respect to your request that TIG defend your clients as to the ODEQ claim and the Armstrong suit, pursuant to the insuring agreement quoted above, policies 522032590, 522032591, 522036810, and 522036811 are indemnity policies only which do not contain a duty to defend. Therefore, to the extent that coverage is otherwise available, TIG has no obligation to defend Kaiser Gypsum in these matters under policies 522032590, 522032591, 522036810, and 522036811.

With regard to any potential indemnity obligations, policies 522032590, 522032591, 522036810, and 522036811 would not become potentially applicable unless and until the amount of all underlying insurance and other insurance available to Kaiser Gypsum was properly exhausted, subject to all other terms, exclusions, provisions and conditions of those policies. The excess policies issued by TIG to Kaiser Cement Company attach

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excess of \$50,000,000 and \$100,000,000, respectively. At this time, we have not been provided with any information evidencing the proper exhaustion of all underlying insurance and other insurance available to Kaiser Gypsum. Because policies 522032590, 522032591, 522036810, and 522036811 are not potentially applicable at this time, TIG has no current obligation to indemnify Kaiser Gypsum for costs sought or recovered in the captioned matter.

If we do not receive further information indicating that significant impairment to the underlying per occurrence or aggregate limits of liability by payments of covered claims has transpired, or there is a reasonable likelihood that policies 522032590, 522032591, 522036810, and 522036811 will be applicable to this matter, we must conclude that no claim is or shall be pursued under policies 522032590, 522032591, 522036810, and 522036811 and we will proceed to close our file.

Finally, if a claim is still being pursued, please verify the existence, and provide the status of any underlying aggregate limits of liability that may be applicable to the claims at issue. To properly address the existence and erosion of any such aggregate limits, please have your underlying insurer(s) provide:

1. Verification of any alleged aggregate limits with all supporting policy documentation; and
2. Detailed loss runs in electronic media or hard copy, listing all applicable claims, showing summary claim information, amounts reserved and paid (separately) for loss and expense against the alleged aggregate limit for each and every claim paid against the aggregate limits of all potentially applicable policies. The loss run must include totals for the amounts paid and reserved, and all coding must also be properly identified.

At any time in the future, if there are claims pending against Kaiser Gypsum, and the amounts paid and reserved against the underlying occurrence or aggregate limits totals more than 80% of such limits, please provide us with updated loss runs. At this time, pending receipt of any such information, TIG reserves the right to reasonably review, audit, and challenge the exhaustion information provided before taking a position under its excess policies.

Pending further review of this matter, please note that TIG continues to fully reserve its rights with regard to the captioned matter. Neither this correspondence, nor any future communication or investigation, should be deemed or construed as an admission that coverage is available for costs sought or recovered in the captioned matter, or as a waiver of any rights or defenses to coverage available to TIG under policies 522032590, 522032591, 522036810, and 522036811, at law or equity.

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Should you have any questions concerning this letter or wish to discuss this matter, please contact me at the toll-free number listed above. If we do not receive additional information regarding the exposure potential, or evidence of impairment or exhaustion of underlying insurance within 30 days, we must conclude that no claim is or shall be pursued under policies 522032590, 522032591, 522036810, and 522036811 and we will proceed to close our file for this matter.

Sincerely,



Alan Trebat
Latent Case Manager

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